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[Press Release on Northern Region's Economic Conditions in August 2015](#)

In August 2015, general economic conditions in the northern region remained weak almost across the board. Agricultural sector declined in both production and price, and manufacturing sector particularly, the export-oriented products dropped. Tourism outpaced expectation, while private consumption and investment were under weighed by slowdown economy. Government capital expenditure, however, resumed its disbursement as expected. On stability front, headline inflation rate continued to ease off due to falling fuel prices. Low unemployment rate and unobserved layoff from entrepreneur prevailed despite a sluggish in manufacturing production. At end-July 2015, commercial bank credits increased, while deposits moderated.

Details of the economic conditions are as follows:

**Major crop production index**, although improved from previous month, contracted by 11.9 percent from declining production of second crop rice, longan and pineapples. Meanwhile, livestock production continued increasing. Accordingly, **major crops price index** decreased further which resulted in successive slump of farm income.

**Manufacturing Production Indexes** fell by 7.0 percent, attributed to sluggish export-oriented production including electronics components, textiles, ceramics and optical lenses. Also, production of processed agricultural products declined as an adverse effect of drought – notably in rice as well as vegetable and fruit processing. Liquor production dropped due to high base effect last year. However, production of construction materials, furniture and wooden products increased.

**Tourism sector** continued to outpace expectation, indicating by greater air passengers and high hotel's occupancy rate in line with higher value added tax (VAT) collected from hotels and restaurants. Other indicators such as tourists' spending on consumption goods, meetings and seminars categories increased.

Domestic demand in general remained slackened. **Private Investment Index** shrank by 3.1 percent due to no new investment especially in real estate business. Meanwhile, inventory in manufacturing production prevailed as a result of slowing down export demand from trading partners. However, construction spending such as in residentials, hotels and shopping malls continued their completion in line with higher construction areas permitted in municipal zones and sales of construction materials.

**Private Consumption Index** rose by 2.1 percent, attributed mainly to spending from consumption and services related to tourists and government construction projects. In addition, fuel consumption rose from favorably low fuel prices. However, demand for durable goods remained weak as to indigence of farm income, fragile consumer confidence and credit availability from financial institutions.

**Export value** fell by 8.5 percent, contributed mainly from a decline in electronic components exports to China and Japan. Cross-border exports dropped slightly by 0.5 percent from slower demand of phones, accessories and fuel from Myanmar and Southern China. Consequently, imports of raw materials and intermediate goods for export-oriented production decreased by 0.8 percent.

Government sector resumed their disbursement as previously expected, led by a 19.8 percent growth in **government capital expenditure** on construction projects of academics, residential sites of Royal Thai Police and public hospitals as well. Moreover, disbursement plan in this fiscal year was likely to postpone to the next fiscal year.

On stability front of the northern region remained sound. Easing **headline inflation rate**, dropped by 1.85 percent as a result of low fuel and household LPG prices. Moreover, due to drought, the vegetables and fruit prices were slightly higher. **Unemployment rate** remained at 0.7 percent. There were unobserved layoff from entrepreneurs. In response to slackening demand, most electronic factories chose to reduce number of working hours or days instead. In the meantime, employment of services and constructions sectors increased at the expense of lower agriculture employment.

As of end-July 2015, credits continued expansion, despite a deferment of borrowing request for new investment– specifically in real estate sector. **Commercial banks' credits outstanding** amounted to 611,041 million baht, rising by 7.2 percent following demand on housing loans as well as corporate loans for the working capital. Concurrently, **commercial banks' deposits outstanding** moderated by 3.1 percent, amounting to 605,210 million baht owing to a more attractive instruments such as short-term debt instruments. Loan to deposits ratio somewhat rose from previous month to 101.0 percent.

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